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|---------------------------------|--|-------------------------------|------------------------------|
| <i>SERFF Tracking Number:</i> | <i>FFDC-125601144</i> | <i>State:</i> | <i>Arkansas</i> |
| <i>First Filing Company:</i> | <i>American Automobile Insurance Company, ...</i> | <i>State Tracking Number:</i> | <i>EFT \$50</i> |
| <i>Company Tracking Number:</i> | <i>NARCA0108.F</i> | | |
| <i>TOI:</i> | <i>20.0 Commercial Auto</i> | <i>Sub-TOI:</i> | <i>20.0001 Business Auto</i> |
| <i>Product Name:</i> | <i>Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance</i> | | |
| <i>Project Name/Number:</i> | <i>Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance/NARCA0108.F</i> | | |

Filing at a Glance

Companies: American Automobile Insurance Company, Associated Indemnity Corporation, Fireman's Fund Insurance Company, National Surety Corporation, The American Insurance Company

Product Name: Commercial Auto New SERFF Tr Num: FFDC-125601144 State: Arkansas

Proprietary Auto Endorsements for Vehicle
Replacement Insurance

TOI: 20.0 Commercial Auto

SERFF Status: Closed

State Tr Num: EFT \$50

Sub-TOI: 20.0001 Business Auto

Co Tr Num: NARCA0108.F

State Status: Fees verified and
received

Filing Type: Form

Co Status:

Reviewer(s): Betty Montesi,
Llyweyia Rawlins, Brittany Yielding

Author: Tracy Thompson

Disposition Date: 04/17/2008

Date Submitted: 04/10/2008

Disposition Status: Approved

Effective Date Requested (New): 05/10/2008

Effective Date (New): 05/10/2008

Effective Date Requested (Renewal): 05/10/2008

Effective Date (Renewal):
05/10/2008

State Filing Description:

General Information

Project Name: Commercial Auto New Proprietary Auto Endorsements Status of Filing in Domicile:
for Vehicle Replacement Insurance

Project Number: NARCA0108.F

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 04/17/2008

State Status Changed: 04/17/2008

Deemer Date:

Corresponding Filing Tracking Number:

Filing Description:

Enclosed for your review and approval we are filing 2 new proprietary auto endorsements, New Vehicle Replacement Cost Insurance and New Vehicle Replacement Hybrid Upgrade Insurance, companion Rules and Rates filed separately filing number NARCA0108.R. Our proposed effective date is May 10, 2008.

| | | | |
|---------------------------------|--|-------------------------------|------------------------------|
| <i>SERFF Tracking Number:</i> | <i>FFDC-125601144</i> | <i>State:</i> | <i>Arkansas</i> |
| <i>First Filing Company:</i> | <i>American Automobile Insurance Company, ...</i> | <i>State Tracking Number:</i> | <i>EFT \$50</i> |
| <i>Company Tracking Number:</i> | <i>NARCA0108.F</i> | | |
| <i>TOI:</i> | <i>20.0 Commercial Auto</i> | <i>Sub-TOI:</i> | <i>20.0001 Business Auto</i> |
| <i>Product Name:</i> | <i>Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance</i> | | |
| <i>Project Name/Number:</i> | <i>Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance/NARCA0108.F</i> | | |

Enclosed for your review:

New Vehicle Replacement Insurance – CA 71 01 07 08

New Vehicle Replacement Hybrid Upgrade Insurance – CA 71 02 07 08

See explanatory memorandum for more information.

Enclosed in support of this filing:

- Explanatory Memorandum
- Actuarial Explanatory Memorandum
- Actuarial Support Exhibits 1-3

We look forward to the department's approval with an May 10, 2008 effective date.

Company and Contact

Filing Contact Information

| | |
|------------------------------------|------------------------|
| Tracy Thompson, Regulatory Analyst | tthomps5@ffic.com |
| 777 San Marin Drive | (415) 899-2145 [Phone] |
| Novato, CA 94998 | (866) 290-0671[FAX] |

Filing Company Information

| | | |
|---------------------------------------|-------------------------|-----------------------------|
| American Automobile Insurance Company | CoCode: 21849 | State of Domicile: Missouri |
| 777 San Marin Drive | Group Code: 761 | Company Type: |
| Novato, CA 94998 | Group Name: | State ID Number: |
| (415) 899-2817 ext. [Phone] | FEIN Number: 22-1608585 | |

| | | |
|----------------------------------|-------------------------|-------------------------------|
| Associated Indemnity Corporation | CoCode: 21865 | State of Domicile: California |
| 777 San Marin Drive | Group Code: 761 | Company Type: |
| Novato, CA 94998 | Group Name: | State ID Number: |
| (415) 899-2817 ext. [Phone] | FEIN Number: 22-1708002 | |

SERFF Tracking Number: FFDC-125601144 State: Arkansas
First Filing Company: American Automobile Insurance Company, ... State Tracking Number: EFT \$50
Company Tracking Number: NARCA0108.F
TOI: 20.0 Commercial Auto Sub-TOI: 20.0001 Business Auto
Product Name: Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance
Project Name/Number: Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance/NARCA0108.F

Fireman's Fund Insurance Company CoCode: 21873 State of Domicile: California
777 San Marin Drive Group Code: 761 Company Type:
Novato, CA 94998 Group Name: State ID Number:
(415) 899-3290 ext. [Phone] FEIN Number: 94-1610280

National Surety Corporation CoCode: 21881 State of Domicile: Illinois
777 San Marin Drive Group Code: 761 Company Type:
Novato, CA 94998 Group Name: State ID Number:
(415) 899-2817 ext. [Phone] FEIN Number: 36-2704643

The American Insurance Company CoCode: 21857 State of Domicile: Nebraska
777 San Marin Drive Group Code: 761 Company Type:
Novato, CA 94998 Group Name: State ID Number:
(415) 899-2817 ext. [Phone] FEIN Number: 22-0731810

SERFF Tracking Number: FFDC-125601144 State: Arkansas

First Filing Company: American Automobile Insurance Company, ... State Tracking Number: EFT \$50

Company Tracking Number: NARCA0108.F

TOI: 20.0 Commercial Auto Sub-TOI: 20.0001 Business Auto

Product Name: Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance

Project Name/Number: Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance/NARCA0108.F

Filing Fees

Fee Required? Yes

Fee Amount: \$50.00

Retaliatory? No

Fee Explanation: 50.00 for a form filing

Per Company: No

| COMPANY | AMOUNT | DATE PROCESSED | TRANSACTION # |
|---------------------------------------|---------|----------------|---------------|
| American Automobile Insurance Company | \$50.00 | 04/10/2008 | 19429157 |
| Associated Indemnity Corporation | \$0.00 | 04/10/2008 | |
| Fireman's Fund Insurance Company | \$0.00 | 04/10/2008 | |
| National Surety Corporation | \$0.00 | 04/10/2008 | |
| The American Insurance Company | \$0.00 | 04/10/2008 | |

SERFF Tracking Number: *FFDC-125601144* *State:* *Arkansas*
First Filing Company: *American Automobile Insurance Company, ...* *State Tracking Number:* *EFT \$50*
Company Tracking Number: *NARCA0108.F*
TOI: *20.0 Commercial Auto* *Sub-TOI:* *20.0001 Business Auto*
Product Name: *Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance*
Project Name/Number: *Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance/NARCA0108.F*

Correspondence Summary

Dispositions

| Status | Created By | Created On | Date Submitted |
|---------------|-------------------|-------------------|-----------------------|
| Approved | Llyweyia Rawlins | 04/17/2008 | 04/17/2008 |

SERFF Tracking Number: FFDC-125601144 State: Arkansas
First Filing Company: American Automobile Insurance Company, ... State Tracking Number: EFT \$50
Company Tracking Number: NARCA0108.F
TOI: 20.0 Commercial Auto Sub-TOI: 20.0001 Business Auto
Product Name: Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance
Project Name/Number: Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance/NARCA0108.F

Disposition

Disposition Date: 04/17/2008
Effective Date (New): 05/10/2008
Effective Date (Renewal): 05/10/2008
Status: Approved
Comment:

Rate data does NOT apply to filing.

Overall Rate Information for Multiple Company Filings

| | |
|---|--------|
| Overall Percentage Rate Indicated For This Filing | 0.000% |
| Overall Percentage Rate Impact For This Filing | 0.000% |
| Effect of Rate Filing-Written Premium Change For This Program | \$0 |
| Effect of Rate Filing - Number of Policyholders Affected | 0 |

SERFF Tracking Number: FFDC-125601144 State: Arkansas

First Filing Company: American Automobile Insurance Company, ... State Tracking Number: EFT \$50

Company Tracking Number: NARCA0108.F

TOI: 20.0 Commercial Auto Sub-TOI: 20.0001 Business Auto

Product Name: Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance

Project Name/Number: Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance/NARCA0108.F

| Item Type | Item Name | Item Status | Public Access |
|---------------------|--|-------------|---------------|
| Supporting Document | Uniform Transmittal Document-Property & Casualty | Approved | Yes |
| Supporting Document | Explanatory Memo | Approved | Yes |
| Supporting Document | Actuarial Memo & Support | Approved | Yes |
| Form | New Vehicle Replacement Insurance | Approved | Yes |
| Form | New Vehicle Replacement Hybrid Upgrade Insurance | Approved | Yes |

SERFF Tracking Number: FFDC-125601144 State: Arkansas

First Filing Company: American Automobile Insurance Company, ... State Tracking Number: EFT \$50

Company Tracking Number: NARCA0108.F

TOI: 20.0 Commercial Auto Sub-TOI: 20.0001 Business Auto

Product Name: Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance

Project Name/Number: Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance/NARCA0108.F

Form Schedule

| Review Status | Form Name | Form # | Edition Date | Form Type Action | Action Specific Data | Readability | Attachment |
|---------------|--|--------|--------------|----------------------------------|----------------------|-------------|-----------------|
| Approved | New Vehicle Replacement Insurance | CA7101 | 07 08 | Endorsement/Amendment/Conditions | | 0.00 | CA7101 0708.pdf |
| Approved | New Vehicle Replacement Hybrid Upgrade Insurance | CA7102 | 0708 | Endorsement/Amendment/Conditions | | 0.00 | CA7102 0708.pdf |

New Vehicle Replacement Insurance – CA 71 01 07 08

Policy amendment(s) Commercial Business Auto Coverage Form – Business Auto Physical Damage Coverage Form – Garage Coverage Form – Motor Carrier Form – Truckers Coverage Form

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

Insured:
Producer:

Policy Number:
Effective Date:

This endorsement modifies insurance provided under the following:

**Business Auto Coverage Form
Business Auto Physical Damage Coverage Form
Garage Coverage Form
Motor Carrier Coverage Form
Truckers Coverage Form**

Schedule

| Vehicle Number | Model Year | Trade name and model |
|-----------------------|-------------------|-----------------------------|
|-----------------------|-------------------|-----------------------------|

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

The Physical Damage Coverage Section is amended by the addition of the following:

- A. In the event of a total **loss** within the first three model years of the vehicle model year to a covered auto shown in the Schedule or Declarations applicable to this endorsement for which Replacement Cost applies, we will pay, without a deductible:
1. The replacement cost value; or
 2. The actual cash value, as determined by us, of the damaged or stolen property as of the time of the total **loss** if greater than the replacement cost value amount; or
 3. We will replace the vehicle with the most current model year if available of the same make and model with similar factory equipment and options.

This Form must be attached to Change Endorsement when issued after the policy is written.
One of the **Fireman's Fund Insurance Companies** as named in the policy.



Secretary



President

- a. If we are unable to replace the vehicle within 30 days or if you want a different vehicle, then we will pay:
 - (1) An amount equal to our cost to replace your vehicle with the most current model year of a new vehicle of the same make and model with similar factory equipment and options as yours; or
 - (2) If the manufacturer no longer makes that vehicle, an amount equal to the greater of your original purchase price, or your original purchase price adjusted for inflation based on the latest Consumer Price Index, U.S. All Urban Consumer Seasonally Adjusted Average, New Vehicles, as published by the Bureau of Labor Statistics of the United States Department of Labor.

Replacement cost means the cost to replace with new property of comparable material and quality and used for the same purposes without deduction for depreciation.

An adjustment for depreciation and physical condition will be made in determining actual cash value at the time of **loss**.

B. A **loss** will be considered a total **loss** when:

1. The entire vehicle is stolen, not recovered, and we offer to settle the **loss**; or
2. The salvage value of the vehicle, determined by us, plus the amount for labor and parts of like kind and quality necessary to repair the vehicle, is equal to or greater than the actual cash value of the stolen or damaged vehicle; or
3. In our opinion the vehicle should be deemed to be a total **loss**.

The amount to be paid for a total **loss** will be reduced by the cost to repair or replace any previous damage to that vehicle, if the previous damage had not been repaired or replaced.

C. Rental Reimbursement Coverage for a **Loss** Considered as a Total **Loss**

1. If **loss** occurs to a covered auto shown in the Schedule or Declarations applicable to this endorsement, we will pay without a deductible, for rental expenses incurred by you for the rental of a similar replacement auto. This coverage is in lieu of and not in addition to any other rental reimbursement coverage you may have available to you under this Policy.
2. We will pay only for those expenses incurred by you beginning 24 hours after the covered **loss** and will cease paying for those expenses, regardless of the policy's expiration date, at the earliest of the following dates:
 - a. Within a reasonable number of days after we make payment to you for a covered **loss** under Section A above; or
 - b. On the date that a replacement vehicle is available to you as provided for under Section A. 3. above; or
 - c. 45 days from the date that this coverage begins.

3. Our payment is limited to the lesser of the following amounts:
 - a. Necessary and actual expenses incurred by you; or
 - b. \$3,500.

All other terms and conditions of the policy remain unchanged.

New Vehicle Replacement Hybrid Upgrade Insurance – CA 71 02 07 08

Policy amendment(s) Commercial Business Auto Coverage Form – Business Auto Physical Damage Coverage Form – Garage Coverage Form – Motor Carrier Form – Truckers Coverage Form

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

Insured:
Producer:

Policy Number:
Effective Date:

This endorsement modifies insurance provided under the following:

**Business Auto Coverage Form
Business Auto Physical Damage Coverage Form
Garage Coverage Form
Motor Carrier Coverage Form
Truckers Coverage Form**

Schedule

| Vehicle Number | Model Year | Trade name and model |
|-----------------------|-------------------|-----------------------------|
|-----------------------|-------------------|-----------------------------|

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

The Physical Damage Coverage Section is amended by the addition of the following:

- A. In the event of a total **loss** within the first three model years of the vehicle model year to a covered auto shown in the Schedule or Declarations applicable to this endorsement for which Replacement Cost applies, we will pay, without a deductible:
1. The replacement cost value; or
 2. The actual cash value, as determined by us, of the damaged or stolen property as of the time of the total **loss** if greater than the replacement cost value amount; or
 3. We will replace the vehicle with the most current model year hybrid, if available, of the same make and model with similar factory equipment and options.

This Form must be attached to Change Endorsement when issued after the policy is written.
One of the **Fireman's Fund Insurance Companies** as named in the policy.



Secretary



President

- a. If we are unable to replace the vehicle within 30 days or if you want a different vehicle, then we will pay:
 - (1) An amount equal to our cost to replace your vehicle with the most current model year of a new vehicle of the same make and model with similar factory equipment and options as yours; or
 - (2) If the manufacturer no longer makes that vehicle, an amount equal to the greater of your original purchase price, or your original purchase price adjusted for inflation based on the latest Consumer Price Index, U.S. All Urban Consumer Seasonally Adjusted Average, New Vehicles, as published by the Bureau of Labor Statistics of the United States Department of Labor.

Replacement cost means the cost to replace with new property of comparable material and quality and used for the same purposes without deduction for depreciation.

An adjustment for depreciation and physical condition will be made in determining actual cash value at the time of **loss**.

B. A **loss** will be considered a total **loss** when:

1. The entire vehicle is stolen, not recovered, and we offer to settle the **loss**; or
2. The salvage value of the vehicle, determined by us, plus the amount for labor and parts of like kind and quality necessary to repair the vehicle, is equal to or greater than the actual cash value of the stolen or damaged vehicle; or
3. In our opinion the vehicle should be deemed to be a total **loss**.

The amount to be paid for a total **loss** will be reduced by the cost to repair or replace any previous damage to that vehicle, if the previous damage had not been repaired or replaced.

C. Rental Reimbursement Coverage for a **Loss** Considered as a Total **Loss**

1. If **loss** occurs to a covered auto shown in the Schedule or Declarations applicable to this endorsement, we will pay without a deductible, for rental expenses incurred by you for the rental of a similar replacement auto. This coverage is in lieu of and not in addition to any other rental reimbursement coverage you may have available to you under this Policy.
2. We will pay only for those expenses incurred by you beginning 24 hours after the covered **loss** and will cease paying for those expenses, regardless of the policy's expiration date, at the earliest of the following dates:
 - a. Within a reasonable number of days after we make payment to you for a covered **loss** under Section A above; or
 - b. On the date that a replacement vehicle is available to you as provided for under Section A. 3. above; or
 - c. 45 days from the date that this coverage begins.
3. Our payment is limited to the lesser of the following amounts:
 - a. Necessary and actual expenses incurred by you; or

b. \$3,500.

All other terms and conditions of the policy remain unchanged.

| | | | |
|---------------------------------|--|-------------------------------|------------------------------|
| <i>SERFF Tracking Number:</i> | <i>FFDC-125601144</i> | <i>State:</i> | <i>Arkansas</i> |
| <i>First Filing Company:</i> | <i>American Automobile Insurance Company, ...</i> | <i>State Tracking Number:</i> | <i>EFT \$50</i> |
| <i>Company Tracking Number:</i> | <i>NARCA0108.F</i> | | |
| <i>TOI:</i> | <i>20.0 Commercial Auto</i> | <i>Sub-TOI:</i> | <i>20.0001 Business Auto</i> |
| <i>Product Name:</i> | <i>Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance</i> | | |
| <i>Project Name/Number:</i> | <i>Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance/NARCA0108.F</i> | | |

Rate Information

Rate data does NOT apply to filing.

SERFF Tracking Number: FFDC-125601144 State: Arkansas
First Filing Company: American Automobile Insurance Company, ... State Tracking Number: EFT \$50
Company Tracking Number: NARCA0108.F
TOI: 20.0 Commercial Auto Sub-TOI: 20.0001 Business Auto
Product Name: Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance
Project Name/Number: Commercial Auto New Proprietary Auto Endorsements for Vehicle Replacement Insurance/NARCA0108.F

Supporting Document Schedules

| | Review Status: | |
|--|----------------|------------|
| Satisfied -Name: Uniform Transmittal Document-Property & Casualty | Approved | 04/17/2008 |

Comments:

Attachment:

arpctd-1.pdf

| | Review Status: | |
|--|----------------|------------|
| Satisfied -Name: Explanatory Memo | Approved | 04/17/2008 |

Comments:

Attachment:

Explanatory Memorandum.pdf

| | Review Status: | |
|--|----------------|------------|
| Satisfied -Name: Actuarial Memo & Support | Approved | 04/17/2008 |

Comments:

Attachments:

ActurialExplMemo.pdf

Auto Repl Acturial Exh 1-3.pdf

Property & Casualty Transmittal Document


| | |
|---|---|
| 1. Reserved for Insurance Dept. Use Only | 2. Insurance Department Use only a. Date the filing is received: b. Analyst: c. Disposition: d. Date of disposition of the filing: e. Effective date of filing: <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">New Business</div> <div style="width: 55%;"></div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">Renewal Business</div> <div style="width: 55%;"></div> </div> f. State Filing #: g. SERFF Filing #: h. Subject Codes |
|---|---|

| | |
|------------------------------------|---------------------|
| 3. Group Name | Group NAIC # |
| Fireman's Fund Insurance Companies | 0761 |

| 4. Company Name(s) | Domicile | NAIC # | FEIN # | State # |
|---------------------------------------|------------|--------|------------|---------|
| Fireman's Fund Insurance Company | California | 21873 | 94-1610280 | |
| The American Insurance Company | Nebraska | 21857 | 22-0731810 | |
| National Surety Corporation | Illinois | 21881 | 36-2704643 | |
| Associated Indemnity Corporation | California | 21865 | 22-1708002 | |
| American Automobile Insurance Company | Missouri | 21849 | 22-1608585 | |
| | | | | |
| | | | | |

| | |
|-----------------------------------|--------------------|
| 5. Company Tracking Number | NARCA0108.F |
|-----------------------------------|--------------------|

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

| 6. | Name and address | Title | Telephone #s | FAX # | e-mail |
|-----------|---|--------------------|--|--------------|-------------------|
| | Tracy Thompson 777 San Marin Drive Novato, CA 94998 | Regulatory Analyst | 415-899-2145 | 866.290.0671 | tthomps5@ffic.com |
| | | | | | |
| 7. | Signature of authorized filer | |  | | |
| 8. | Please print name of authorized filer | | Tracy Thompson | | |

Filing information (see General Instructions for descriptions of these fields)

| | | | | | |
|-----|--|---|----------|----------|----------|
| 9. | Type of Insurance (TOI) | 20.0000 Commercial Auto Physical Damage | | | |
| 10. | Sub-Type of Insurance (Sub-TOI) | 20.0 Commercial Auto | | | |
| 11. | State Specific Product code(s)(if applicable)[See State Specific Requirements] | | | | |
| 12. | Company Program Title (Marketing title) | | | | |
| 13. | Filing Type | <input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input checked="" type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description) | | | |
| 14. | Effective Date(s) Requested | New: | 05/10/08 | Renewal: | 05/10/08 |

Explanatory Memorandum
New Vehicle Replacement Insurance – CA 71 01 07 08
New Vehicle Replacement Hybrid Upgrade Insurance – CA 71 02 07 08

Introduction

Enclosed for your review and approval are two Business Auto forms that enhance the insurance protection and provide valuation options for specifically identified/scheduled vehicles.

New Vehicle Replacement Insurance – CA 71 01 07 08

This coverage provides new vehicle replacement cost coverage for specifically identified autos. In the event of a total loss, if the loss occurs within the first three years of the vehicle model year, we will replace the vehicle with the most current model year if available of the same make and model at replacement cost value.

New Vehicle Replacement Hybrid Upgrade Insurance – CA 71 02 07 08

This coverage provides new vehicle replacement cost coverage for specifically identified autos. In the event of a total loss, if the loss occurs within the first three years of the vehicle model year, we will replace the vehicle with the most current model year Hybrid, if available, of the same make and model at replacement cost value.

Fireman's Fund Insurance Companies
Commercial Auto
Actuarial Memorandum

DESCRIPTION OF COVERAGE

We are pleased to introduce an innovative new coverage for our automobile policyholders, Auto Replacement Cost Coverage. When this option is purchased and the insured experiences a total loss or theft, we will pay the cost to replace the vehicle with the most current model year of the same make and model with similar equipment.

The following table shows our proposed rates for this coverage. The applicable percentage in the table below is to be applied to the insured's total physical damage premium (collision + comprehensive) at base deductible to generate the dollar premium charge.

| Model Year | Year 1 | Year 2 | Year 3 |
|---------------|--------|--------|--------|
| 3 Year Option | 20% | 20% | 20% |
| 3 Year Hybrid | 22% | 22% | 22% |

For example, if an insured buys a new car and purchases this coverage that same year he will pay 20% of the total physical damage premium each year for the next three years (and the coverage will remain in effect until the car is three years old). As another example, if an insured has a two-year-old car she can purchase this endorsement for one year by paying 20% of her total physical damage premium

This product also offers the option to upgrade the vehicle to the Hybrid trim of the same make and model. Our goal is to broaden our product offering and give incentive to our customers to "go green."

In each of the cases, the applicable percentage is applied to the total physical damage premium prior to the application of the deductible relativity factor. In the case of a total loss or theft, this endorsement will replace the car and no deductible will be applied. As a result, it is not valid to have different rates solely as a function of the deductible the insured chooses for the basic auto coverages.

PRICING

Commercial Business has been working on this product along with the Personal Insurance segment of Fireman's Fund. Exhibit 2 shows the calculations that we used in order to arrive at the selected charge of 20%. Much of the information such as frequency of total loss, base \$50,000 value and associated Physical Damage premium were provided by Personal Insurance. In developing their rates, they also checked for reasonableness against insurers who already have a similar product in the market such as Insurance Corporation of British Columbia and Allstate.

For ease of doing business, we chose to select one factor, 20%, instead of a factor which varies by year. This will enable the customer to understand the product more easily. It will also prevent successive rate increases to the customer as the factor increases. This does give additional incentive for the customer to purchase the product in year 3 but we do not believe we will have an unreasonable amount of adverse selection as most Commercial Business customers would buy this coverage with a new vehicle and keep it in-force for the entire three-year period.

Exhibit 3 shows our pricing for the Hybrid upgrade. It compares the price difference of a new vehicle for both the Hybrid and non-Hybrid trim for a representative sample of the market. Although the current gap between Hybrid and non-Hybrid is often over 10%, we believe that this differential will decrease over time as Hybrid technology becomes more available in the market.

Exhibit 1

| Model Year | Year 1 | Year 2 | Year 3 |
|---------------|--------|--------|--------|
| 3 Year Option | 20% | 20% | 20% |
| 3 Year Hybrid | 22% | 22% | 22% |
| | | | |

Exhibit 2

**New for Old Endorsement
Fireman's Fund Insurance Co.
Rate Calculation by Age of Vehicle**

| (1) | (2) | (3) | (4) = (2)/(3) | (5) | (6) | (7) | (8) |
|--|--|-----------------------------------|--|--|--|--|--|
| Model Year Age of Vehicle (Years) | Vehicles Totalled | Car Years (Exposure) | Frequency of Totalled Vehicle | Exponentially Smoothed Frequency | Depreciation Factor | Cumulative Depreciation | Average Original Value (\$) |
| 0 | 100 | 31,862 | 0.31% | 0.31% | 20.5% | 20.5% | 50,000 |
| 1 | 386 | 101,545 | 0.38% | 0.36% | 12.9% | 33.4% | 50,000 |
| 2 | 434 | 105,664 | 0.41% | 0.42% | 10.8% | 44.1% | 50,000 |
| | | | | | | | |
| | (9) = (5)x(7)x(8) | (10) = 2.1x(9) | (11) | (12) = (10)/(11) | (13) | (14) | |
| | Expected Loss Cost By Age | Loaded Rate by Age | Average Phys. Damage Premium | Payment as Percentage of Phys. Damage Premium | Selected Payment as % of Phys. Dam. Premium | Smoothed Level Payment as % of Phys. Dam. Premium | |
| | 32 | 67 | 714 | 9% | 10% | 20% | |
| | 61 | 128 | 714 | 18% | 20% | 20% | |
| | 94 | 197 | 714 | 28% | 30% | 20% | |

(1) Model Year Age of vehicle is the difference between the year of the accident and the model year of the vehicle. For cases where the model year is higher than the calendar year the age = 0.

(2) Count of totaled vehicles in past 5 years of data

(5) Using the Microsoft Excel GROWTH() function that fits data points to an exponential curve

(6) Average depreciation rates indicated from the three sources: 1. BankRate.com 2. Road & Travel 3. Carprice.com

(7) Based on distribution of Prestige Auto customers by symbol and retail values of new vehicles

(10) 2.1 LCM is based on ELR of 48%

(13) Selected slightly higher than indicated in consideration of moral hazard

(14) For ease of doing business, we have selected the same factor for all three years

Exhibit 3

| Vehicle | DriveTrain | Engine | Trans | MSRP | Price Diff. | Change in Base |
|---------------------------------------|------------|----------|-------|----------|-------------|----------------|
| 2008 Ford Escape Hybrid | FWD | 2.3L I4 | Auto | \$26,505 | | |
| 2008 Ford Escape XLS | FWD | 2.3L I4 | Auto | \$20,005 | \$6,500 | 32.5% |
| 2008 Honda Civic Hybrid | FWD | 1.3 L I4 | Auto | \$22,600 | | |
| 2008 Honda Civic LX | FWD | 1.8 L I4 | Auto | \$17,760 | \$4,840 | 27.3% |
| 2008 Chevrolet Malibu Hybrid | FWD | 2.4L I4 | Auto | \$22,790 | | |
| 2008 Chevrolet Malibu LS | FWD | 2.4L I4 | Auto | \$19,995 | \$2,795 | 14.0% |
| 2008 Chevrolet Tahoe Hybrid | FWD | 6.0L V8 | Auto | \$50,490 | | |
| 2008 Chevrolet Tahoe LT - 3LT | FWD | 5.3L V8 | Auto | \$40,835 | \$9,655 | 23.6% |
| 2008 Lexus GS450 Hybrid | RWD | 3.5L V6 | Auto | \$54,900 | | |
| 2008 Lexus GS350 | RWD | 3.5L V6 | Auto | \$44,150 | \$10,750 | 24.3% |
| 2008 Lexus RX400 Hybrid | FWD | 3.3L V6 | Auto | \$41,180 | | |
| 2008 Lexus RX350 | FWD | 3.5L V6 | Auto | \$37,500 | \$3,680 | 9.8% |
| 2008 Mazda Tribute Touring Hybrid | FWD | 2.3L I4 | Auto | \$25,310 | | |
| 2008 Mazda Tribute iTouring | FWD | 2.3 L I4 | Auto | \$21,725 | \$3,585 | 16.5% |
| 2008 GMC Yukon Hybrid | RWD | 6.0L V8 | Auto | \$50,945 | | |
| 2008 GMC Yukon XL SLT45A | RWD | 5.3L V8 | Auto | \$40,550 | \$10,395 | 25.6% |
| 2008 Mecury Mariner Hybrid | FWD | 2.3L I4 | Auto | \$27,195 | | |
| 2008 Mercury Mariner | FWD | 2.3L I4 | Auto | \$21,155 | \$6,040 | 28.6% |
| 2008 Saturn Aura Hybrid | FWD | 2.4L I4 | Auto | \$22,790 | | |
| 2008 Saturn Aura XE | FWD | 2.4L I4 | Auto | \$20,395 | \$2,395 | 11.7% |
| 2009 Toyota Camry Hybrid | FWD | 2.4L I4 | Auto | \$25,350 | | |
| 2009 Toyota Camry LE | FWD | 2.4L I4 | Auto | \$21,225 | \$4,125 | 19.4% |
| 2008 Toyota Highlander Limited Hybrid | AWD | 3.3L V6 | Auto | \$39,950 | | |
| 2008 Toyota Highlander Limited | AWD | 3.5L V6 | Auto | \$34,150 | \$5,800 | 17.0% |
| Average Expected Upgrade | | | | | | 20.9% |
| Selection | | | | | | 10.0% |